

**BEFORE THE DEPARTMENT OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE**

IN THE MATTER OF:

DISTRIBTORS INSURANCE COMPANY

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No.: 04-109

ORDER ADOPTING EXAMINATION REPORT WITH DIRECTIVES

Pursuant to Tenn. Code Ann. §§ 56-13-120 and 56-1-401, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance (hereinafter referred to as the "Division") has examined certain affairs of Distributors Insurance Company (hereinafter also referred to as the "Company"), a captive insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 31st day of December, 2002, the examiner-in-charge filed with the Division, on the 31st day of August, 2004, a verified, written report on examination, and a copy of that report has been sent to Distributors Insurance Company. (The Report on Examination of Distributors Insurance Company is attached hereto and marked as Exhibit A). The Division received written rebuttal to said examination report from the company on October 4, 2004. (A true and exact copy of the rebuttal to the examination report of Distributors Insurance Company is attached hereto and marked as Exhibit B.)

Pursuant to Tenn. Code Ann. § 56-13-120, said examination report regarding the affairs of Distributors Insurance Company filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 31st day of August, 2004, is hereby **ADOPTED** as filed with the following **DIRECTIVES**:

1. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-13-113 by filing its financial statement in such form as approved by the Commissioner of the Department of Commerce and Insurance.

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Dept. Of Commerce & Insurance
Company Examinations

2. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-11-206(a)(2) by notifying the Commissioner in writing of its intention to enter into any transactions listed under § 56-11-206(a)(2) at least thirty (30) days prior to doing so, so as to allow the Commissioner to review such transactions and determine whether or not to disapprove them.

3. The Company is **DIRECTED** to comply with Tenn. Comp. R. & Regs., ch. 0780-1-46-.04 (1999), by maintaining a custodial agreement that complies with said rule, should the Company choose an authorized method of holding its securities that requires such an agreement.

The company shall comply with the directives contained in this order within thirty (30) days of its entry.

The adoption of this examination report shall not preclude the Department from imposing sanctions against Distributors Insurance Company for potential violations of the Tennessee Insurance Law which may be revealed in the examination report, it being the intent of this Order Adopting Examination Report With Directives merely to adopt the examination report filed by the examiner-in-charge.

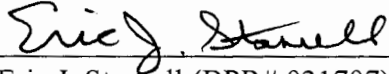
It is so **ORDERED**.

ENTERED this the 25th day of October, 2004.

Paula A. Flowers

Paula A. Flowers, Commissioner
Department of Commerce and Insurance
State of Tennessee

PREPARED FOR ENTRY:



Eric J. Stansell (BPR# 021707)

Staff Attorney

Tennessee Department of Commerce and Insurance

500 James Robertson Parkway

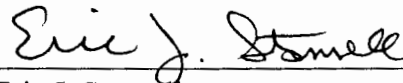
Davy Crockett Tower, Fifth Floor

Nashville, Tennessee 37243

(615) 741-2199

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Order Adopting Examination Report as Filed has been messenger mailed to Larry C. Knight, Jr., Assistant Commissioner for Insurance, Department of Commerce and Insurance, and Don Spann, Chief Examiner, Department of Commerce and Insurance, and mailed, first class, postage prepaid, to Distributors Insurance Company, 1206 Broad Street, Chattanooga, Tennessee 37402, on this the 26th day of October, 2004.



Eric J. Stansell

Certifying Attorney